

## Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 AID-20 IGA-02 PM-07 NSC-07 SPC-03 SS-20

RSC-01 CIAE-00 INR-10 NSAE-00 DODE-00 EB-11 COME-00

TRSE-00 OMB-01 L-03 DRC-01 /101 W

----- 008058

P R 290945Z MAR 74

FM AMEMBASSY PHNOM PENH

TO AMEMBASSY TOKYO PRIORITY

INFO SECSTATE WASHDC 5568

C O N F I D E N T I A L PHNOM PENH 4580

1. FOR SOME TIME WE HAVE BEEN CONCERNED ABOUT THE LEVEL OF LUXURY -TYPE GOODS AND GOODS WHICH COULD BE CLASSIFIED AS NONESSENTIAL, PARTICULARLY IN A WARTIME SITUATION, WHICH HAVE BEEN IMPORTED UNDER THE EXCHANGE SUPPORT FUND. WE BELIEVE THAT THE GOJ SHARE THIS POINT OF VIEW IN PRINCIPLE AND AS WE RECALL GOJ OFFICERS HAVE RAISED THE QUESTION OF WHY THE GKR DOES NOT IMPOSE RESTRICTIVE IMPORT MEASURES DURING THE WAR.

2. INCREASING DEMANDS PLACED ON THE ESF AND THE U.S. BILATERAL AID PROGRAM HAVE NOW MADE IT MORE IMPORTANT THAT FOREIGN ECONOMIC AID BE USED ON A SELECTIVE BASIS IN ORDER TO PROVIDE FOR THE MOST ESSENTIAL REQUIREMENTS. CONSEQUENTLY THE GKR AND WE HAVE BEEN EXPLORING THE REMOVAL OF LUXURY-TYPE GOODS AND NONESSENTIAL GOODS FROM THE ESF. MECHANISM FOR ACHIEVING THIS WOULD BE SO-CALLED NEGATIVE LIST. SUBJECT WAS DISCUSSED AT LAST ESF WORKING GROUP MEETING ON MARCH 27 WITH REPRESENTATIVES OF OTHER ESF DONORS. IT WAS ALSO SUBSEQUENTLY DISCUSSED WITH REPRESENTATIVE OF JAPANESE EMBASSY.

3. THE TENTATIVE LIST WHICH HAS BEEN DISCUSSED WITH GKR AND ESF WORKING GROUP COVERS ITEMS AS PERFUMES , PHONOGRAPHS, INSTANT BEVERAGES, ETC AND ITEMS WHICH COMPETE DIRECTLY WITH LOCALLY-PRODUCED GOODS.

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4. IN EMBASSY MEETING WITH JAPANESE ESF WORKING GROUP REPRESENTATIVE ON MARCH 28, HE SAID HE WOULD BE FORWARDING LIST TO TOKYO FOR REACTION AND GUIDANCE. WE ASSUME THAT GOJ WOULD AGREE WITH THE DESIRABILITY OF FINANCING ONLY ESSENTIAL IMPORTS. HOWEVER SOME OF THE ITEMS ON NEGATIVE LIST ARE COMMODITIES WHICH HAVE BEEN IMPORTED FROM JAPAN WITH ESF FUNDS. THESE INCLUDE MONOSODIUM GLUTAMATE, PERFUMES AND COSMETICS, WATER HEATERS, WASHING MACHINES, CALCULATORS, GENERATORS, DRY BATTERIES, ELECTRIC HOUSEHOLD FANS AND OTHER APPLIANCES, SPEAKERS, RADIOS, TV SETS, MOTORCYCLES AND SCOOTERS, TAPE RECORDERS, PHONOGRAPHS, SLIDE FASTENERS, LIGHTERS.

5. IN PRESENTING ARGUMENTS TO GKR AND OTHERS, WE ARE STRESSING ADVERSE POLITICAL EFFECTS HERE AND IN MAJOR DONOR COUNTRIES OF SITUATION WHEREBY NONESSENTIAL IMPORTS TOTALLING \$8-\$10 MILLION ANNUALLY ARE BEING FUNDED BY ESF, WHILE ROUGHLY THAT AMOUNT NEEDED TO FINANCE OTHER VERY ESSENTIAL COMMODITIES. SECONDLY, ESF IMPORT LUXURY ITEMS BENEFITING VERY ELITE GROUP LOCAL RESIDENTS AND HAS LITTLE, IF ANY, EFFECT STABILIZE PRICES GENERAL CONSUMPTION COMMODITIES WHICH STILL BASIC, THOUGH APPARENTLY DORMAT PURPOSE ESF.

6. IN VIEW FACT PROPOSED NEGATIVE LIST INCLUDES NUMBER ITEMS CURRENTLY BEING IMPORTED FROM JAPAN PER PARA 2 ABOVE ON ORDER \$3-\$4 MILLION ANNUALLY, GOJ MAY FEEL IT NOW IN ITS BEST INTEREST HAVE ESF CONTINUE ADHERE LIBERAL IMPORT POLICY.

7. REQUEST EMBASSY/TOKYO DISCUSS WITH APPROPRIATE GOJ OFFICIALS FIRST WITH A VIEW TO FIRST OBTAIN THEIR AGREEMENT IN PRINCIPLE THAT ONLY ESSENTIAL GOODS BE IMPORTED, AT LEAST DURING WAR, AND THAT LUXURY AND SEMI-LUXURY GOODS BE RESTRICTED FOR DURATION OF WAR. RECOGNIZE DIFFICULTY OF DEFINING WARTIME PERIOD AND CONSEQUENTLY SUGGEST SUCH NEGATIVE LIST BE ON THE BASIS OF SIX-MONTH PERIOD WHICH WOULD BE RENEWED IF CONSIDERED NECESSARY. SECOND WOULD APPARECIATE EXPLORING WITH GOJ WHETHER THEY WOULD OBJECT TO PROPOSED LIST IF PROMULGATED BY GKR EVEN THOUGH IT CONFIDENTIAL

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MIGHT EFFECT SOME IMPORTS BEING FINANCED FROM JAPAN.  
PLEASE ADVISE SOONEST.  
ENDERS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** STANDARD OF LIVING, ECONOMIC CONDITIONS, IMPORT CONTROLS, FOREIGN ASSISTANCE, FINANCIAL DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 29 MAR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Office:** ACTION EA  
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**Original Handling Restrictions:** n/a  
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**Page Count:** 3  
**Previous Channel Indicators:**  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
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**Review Content Flags:**  
**Review Date:** 10 JUL 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <10 JUL 2002 by martinml>; APPROVED <31 JAN 2003 by GolinoFR>  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ESF FUNDS  
**TAGS:** EAID, CB, ESF  
**To:** TOKYO  
**Type:** TE  
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